

WARNING-UNAPPROVED MINUTES

These minutes have not been reviewed or accepted by the RISLA Board of Directors. This draft is being supplied in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.

The 224th meeting of the Rhode Island Student Loan Authority was held on Tuesday, September 24, 2004 in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. The Honorable Robert J. McKenna called the meeting to order at 8:10 A.M.

The following Board members were in attendance:

Hon. Robert J. McKenna
Dr. William Croasdale
Mr. John Howell
Ms. Christine Jenkins
Sen. William A. Walaska

Members absent:

Dr. Anthony Santoro

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA
Mr. Kevan McAleer, CFO, RISLA
Mr. Charles P. Kelley, Executive Director, National Education Loan of New England, Inc.
Mr. David Souto, RISLA
Ms. Gail Bessette, RISLA
Mr. Joseph R. Palumbo, Jr., General Counsel
Mr. Ray Celona, Prescott, Chatellier, Fontaine & Wilkinson, LLP
Mr. Jim Wilkinson, Prescott, Chatellier, Fontaine & Wilkinson, LLP

The first item was the approval of the minutes of the Board of Directors meeting held on June 8, 2004.

Upon a motion by Dr. Croasdale and seconded by Ms. Jenkins it was unanimously

Voted: To accept and approve the minutes of the Board of Directors' meeting held on June 8, 2004.

Chairman's Report

Dr. McKenna expressed his disappointment that Ms. Jenkins is not being reappointed to the Board of Directors of the Authority. Dr. McKenna indicated that Laura Disano, who previously served on the Board with distinction, has been appointed by the Governor to the Board of Directors of the Authority to replace Ms. Jenkins.

Dr. McKenna suggested the establishment of an advisory committee composed of five distinguished members of the Rhode Island financial aid community to advise the Authority on matters related to financial aid activities.

Dr. Croasdale expressed his support of the idea and suggested that Christine Jenkins be considered to chair this committee.

Ms. Jenkins expressed her appreciation for the comments made and indicated that she believed that such a committee could provide valuable service to the Authority and RIHEAA as well.

Upon a motion by Dr. Croasdale and seconded by Mr. Howell it was unanimously

Voted: To create a five member financial aid advisory committee with Ms. Christine Jenkins as Chairperson.

Dr. Croasdale also suggested the Board draft a letter to Ms. Jenkins expressing its deep appreciation for her years of loyal and dedicated service on the Board.

Dr. McKenna suggested that, instead, the staff prepare a formal resolution for adoption by the Board acknowledging Ms. Jenkins' contributions.

Action Item #5 – Audited Financial Report

Mr. Simpson introduced Ray Celona and Jim Wilkinson from the accounting firm of Prescott, Chatellier, Fontaine & Wilkinson which is the audit firm for the Authority. Mr. Simpson indicated that the audit has been completed and Mr. Celona and Mr. Wilkinson are prepared to report on that.

Mr. Simpson thanked Kevan McAleer and Jennifer Dutch for their hard work during the audit.

Mr. Wilkinson indicated that the audit went very smoothly.

Mr. Wilkinson reviewed the highlights of the financial statements. He indicated that his firm has issued an unqualified opinion and there are no major weaknesses to be disclosed.

Sen Walaska asked about the expiration of the \$20 million line of credit.

Mr. Simpson indicated that it is likely that the Authority will be requesting more bond cap from the Public Finance Management Board to make loans.

Upon a motion by Ms. Jenkins and seconded by Dr. Croasdale it was unanimously

Voted: To accept the financial reports subject to their approval by the Auditor General.

Executive Directors Report

Mr. Simpson reviewed the history of and recent developments in the student loan industry relative to the 9 1/2 % floor rate of return which was begun in 1980 to provide lenders with a guaranteed market rate of return while keeping borrower payments affordable. He explained that the practice has recently come under sharp criticism as a result of aggressive use of practices by lenders employed to maximize the floor rate of return. Mr. Simpson reported that RISLA has generally taken a fairly conservative approach relative to the floor rate of return. He pointed out that the revenues derived from the floor income enables the Authority in large part to support its borrower benefit programs and any change in policy is likely to adversely impact on RISLA's ability to continue such programs.

Mr. Howell asked how this issue is likely to affect students.

Mr. Simpson explained that it affects the student through the benefit programs because the Authority is taking in more income which means the Authority can pass savings on to the students.

Mr. Palumbo pointed out that the Board needs to have a comfort level with the fact that there are not going to be any implications that would adversely impact the Authority. Mr. Palumbo feels that there should not be any impact on the Authority.

Mr. Palumbo suggested that the Board should consider if it is comfortable with RISLA's continuing to making use of the practices, which are lawful, to maximize its revenue for borrower benefit programs.

Mr. Howell asked if there is a possibility that there might be a change in the ruling and a request for a refund of those monies.

Mr. Simpson indicated that it is a risk, but that both sides have been careful in discussing this issue so that it would not adversely impact the financial markets.

Mr. Simpson recommended (a) that the Authority continue to treat the floor the way it has in the past, (b) that if the floor benefits change, the Authority will need to consider modifying its borrower benefits, and (c) that the Authority needs to monitor the criticisms laid at the floor income practices. Mr. Simpson indicated that he intends to go to Washington in the next month to discuss RISLA's benefit programs with Congressional people as they consider reauthorization.

Mr. Simpson discussed the Paul Sherlock Scholarship event and reported that it was very well attended. He indicated that many of the Board members were in attendance. Mr. Simpson indicated that there were twenty-five \$2,000 scholarships given out. Mr. Simpson thanked David DeBlois and Mr. Palumbo for their work on this Scholarship program and looks forward to the program next year.

Mr. Kelley provided a report on the status of Nelnet.

Mr. Kelley indicated that Nelnet will probably continue to be hammered by the press regarding its employment of the floor practice.

Mr. Kelley indicated that the SAT in Rhode Island was so successful that he is trying to get Nelnet to fund that program in other states.

Action Item #6 SAT pilot program

Mr. Simpson indicated that the results of the SAT pilot program, which were included in the Board packets, were very positive.

Mr. DeBlois reported that the pilot included three schools in Rhode Island.

Mr. DeBlois reported a couple of logistical problems with the program but overall it was a very positive experience for teachers and students.

Mr. DeBlois indicated that there were 62 total students who tested and there was a gain in their SAT scores during the year.

Mr. DeBlois proposed doubling the program to six schools and indicated that the budget for this expansion would be approximately \$31,000.

Upon a motion by Dr. Croasdale and seconded Ms. Jenkins it was unanimously

VOTED: To expand the SAT program for 2004 to six schools at a cost not to exceed \$40,000 with the Authority personnel responsible for selecting the schools to be participants in this program.

Action Item #7 Review of Nursing, Teachers, and Pharmacy Reward Programs

Mr. Simpson indicated that there is some concern because someone had approached the Authority to find out if it was willing to financially support an expansion of the nursing reward program to include loan principal forgiveness. Mr. Simpson indicated that he is reluctant to support this.

Mr. Simpson indicated that he would like to see more data that there is a need for this program.

Mr. Simpson indicated that there should be discussions with the State Department of Education and others to see if this program needs to be retargeted.

Mr. Simpson indicated that there is also a pharmacy reward program which currently only has one student signed up for this program. Mr. Simpson expressed his doubts as to whether there is a need for this program.

Mr. DeBlois indicated that there may be more of a need in the future for the pharmacy program as it is a six year program.

Mr. Simpson indicated that there isn't anything to vote on today but that the Board should come back in the future to discuss the progress of these programs.

College Planning Center Review

Mr. Simpson indicated that Mr. DeBlois prepared a summary (included in the Board packet) of some of the activities at the College Planning Center throughout the course of the year.

Mr. DeBlois provided a summary of the activities at the College Planning Center. Mr. DeBlois indicated that there has been an increase in the booklets and brochures provided to high schools throughout Rhode Island. Mr. DeBlois also indicated there are continued requests from schools to provide workshops and programs.

Election of Officers

Mr. Simpson indicated that there are two vacancies including Vice Chairperson and Secretary/Treasurer.

Mr. Simpson indicated that the incumbent for Secretary/Treasurer is Dr. Croasdale and the other incumbent is Ms. Jenkins for Vice Chairperson.

Upon a motion by Dr. Croasdale and seconded by Sen. Walaska it was

VOTED: To reappoint the officers of the Authority

Mr. Simpson welcomed Sen. Walaska as new member of the Board of Directors of Rhode Island Student Loan Authority.

Upon a motion by Mr. Howell and seconded by Dr. Croasdale is was unanimously

Voted: To adjourn.

Dr. McKenna adjourned the meeting at 9:50 A.M.

Adjournment was at 9:50 A.M.

Dr. William Croasdale
Secretary/Treasurer